



**THOMAS L. GARTHWAITE, M.D.**  
Director and Chief Medical Officer

**FRED LEAF**  
Chief Operating Officer

COUNTY OF LOS ANGELES  
DEPARTMENT OF HEALTH SERVICES  
313 N. Figueroa, Los Angeles, CA 90012  
(213) 240-8101

BOARD OF SUPERVISORS

**Gloria Molina**  
First District

**Yvonne Brathwaite Burke**  
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Fifth District

June 2, 2005

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 1 TO THE SALES AND USE TAX  
RECONCILIATION SERVICES AGREEMENT (COUNTY CONTRACT NO. H207942)  
WITH KPMG, LLP AND AMENDMENT NO. 4 TO THE ACCOUNTS PAYABLE AUDIT  
AND RECOVERY SERVICES AGREEMENT (COUNTY CONTRACT NO. H207943)  
WITH RECOVERED ASSETS FINANCIAL SERVICES, LLC  
(All Districts) (3 votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director of Health Services, or his designee, to sign Amendment No. 1 to the Sales and Use Tax Reconciliation Services Agreement (County Contract No. H207942) with KPMG, LLP and Amendment No. 4 to the Accounts Payable Audit and Recovery Services Agreement (County Contract No. H207943) with Recovered Assets Financial Services, LLC, substantially similar to Exhibits I and II, to provide for the analysis of Department of Health Services' (DHS) purchasing and payment records at five County hospitals to find and recover overpayments, unclaimed credits, etc., owed to DHS by its vendors, and to extend the term of each agreement 13 months, effective July 1, 2005 through July 31, 2006, at a maximum charge of 25% for KPMG, LLP, and 22% for Recovered Assets Financial Services, LLC, of the additional funds recovered, at no County cost.

**PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:**

In approving the recommended action, the Board is authorizing the Director of Health Services, or his designee, to sign Amendment No. 1 to the Sales and Use Tax Reconciliation Services Agreement with KPMG, LLC (KPMG), to find and recover any sales and use tax overpayments, and Amendment No. 4 to the Accounts Payable Audit and Recovery Services Agreement with Recovered Assets Financial

Services, LLC (RAFS), to find and recover any duplicate payments, overcharges, missing discounts, and/or unclaimed credits, owed to DHS by its vendors, and to extend the term 13 months, effective July 1, 2005 through July 31, 2006.

Board approval of the recommended action will provide the two contractors with additional time to complete their services, which may provide additional revenue to DHS.

FISCAL IMPACT/FINANCING:

KPMG and RAFS have agreed to continue at the same payment amount for their services, or a maximum amount of 25% for KPMG of the funds and/or value of any sales and use tax overpayment for recovered funds and 22% for RAFS.

Services provided under the two agreements are funded entirely by the amount of recovered funds. If KPMG and/or RAFS fails to recover any funds, credits, discounts, etc., there is no County cost for services performed.

Since December 2002, a total of approximately \$1.4 million in duplicate payments, overcharges, missed discounts, unclaimed credits, and sales and use tax overpayments has been recovered by these two companies for the County.

FACTS AND PROVISIONS\LEGAL REQUIREMENTS:

Sales and Use Tax Reconciliation Services recover overpaid taxes for goods purchased by the Department. Such overpayments may occur because the Department self-reports and pays taxes based on its knowledge of the tax code provisions applicable at the time of payment. The applicable tax codes may be California's or the tax codes of other states. DHS does not have expertise in this area, however KPMG has developed the expertise to identify and recover any potential tax overpayments made by DHS.

Accounts Payable and Recovery Services identify and recover overpayments, missed discounts, and/or unclaimed credits for goods purchased by the Department. Such overpayments may occur on a product-by-product basis and may not be known by the Department at the time of payment. RAFS researches Department payments by product and identifies missed discounts, unclaimed credits, double payments, etc.

In June 2002, DHS released a Request for Proposals (RFP) seeking proposals from qualified Sales and Use Tax Reconciliation Services and/or Accounts Payable Audit and Recovery Services providers. On July 15, 2002, DHS received RFP proposals from six proposers. KPMG and RAFS were selected as the most qualified. On December 3, 2002, the Board approved agreements with KPMG and RAFS.

On July 1, 2003, the Board approved Amendment No. 1 to the Agreement with RAFS, to allow RAFS to continue receiving 26% of the total dollar amount/value of funds recovered from DHS providers as a credit, discount, or refund, for a period of six months, effective July 1, 2003 through December 31, 2003. Pursuant to the amendment, RAFS percentage was adjusted to 22% effective January 1, 2004. KPMG's rate of 25% for recovered funds remains unchanged.

The Honorable Board of Supervisors  
June 2, 2005  
Page 3

On July 21, 2003, DHS amended a number of its current contracts by mail (including the contract with RAFS as Amendment No. 2), to add new Health Insurance Portability and Accountability Act of 1996 (HIPAA) language, effective March 18, 2003. On March 3, 2005, DHS amended a number of its current contracts by mail (including the contract with RAFS under Amendment No. 3) to revise HIPAA language to include new electronic media coverage, effective April 20, 2005. KPMG's HIPAA language will be revised in this recommended amendment.

To date, KPMG has recovered approximately \$423,586, in duplicate payments, overcharges, missed discounts, and/or unclaimed credits and RAFS has recovered appropriately \$620,299, in sales and use tax overpayments.

During the year, the need for further extensions will be assessed by the Department.

The amendments (Exhibits I and II) have been reviewed and approved as to form by County Counsel.

Attachment A provides additional information.

CONTRACTING PROCESS:

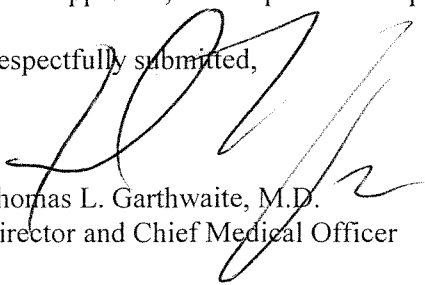
Not applicable. It is not appropriate to advertise amendments on the Los Angeles (L.A.) County Online Web Site as a contract/business opportunity.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Recovered funds will provide for additional financial support for DHS operations.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.  
Director and Chief Medical Officer

TLG:pm

Attachments (3)

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors

**SUMMARY OF AGREEMENT**

1. TYPE OF SERVICE:

The Sales and Use Tax Reconciliation and Accounts Payable Audit and Recovery Services program provides for the analysis of DHS purchasing and payment records at the five County hospitals to find and recover any overpayments, overcharges, etc., owed to DHS by its vendors.

2. AGENCY ADDRESSES AND CONTACT PERSONS:

KPMG, LLP  
600 Anton Boulevard, Suite 700  
Costa Mesa, California 92626  
Attention: Mr. John D. Burgess  
Manager, Tax  
Telephone: (714) 445-5852/FAX: (714) 850-4488  
E-mail Address: jburgess@kpmg.com

Recovered Assets Financial Services, LLC  
3170 Lenora Church Road, Suite 100  
Snellville, Georgia 30039  
Attention: Mr. Steven M. Hardy  
Executive Vice President  
Telephone: (952) 445-7344/FAX (952) 445-7548  
E-Mail Address: stevenhardy@recoveredassets.com

3. TERM:

Effective July 1, 2005 through July 31, 2006.

4. FINANCIAL INFORMATION:

KPMG and RAFS have agreed to continue at the same payment amount for their services, or a maximum amount of 25% for KPMG of the funds and/or value of any sales and use tax overpayment of recovered funds and 22% for RAFS. Services provided under the two agreements are funded entirely by the amount of recovered funds. If KPMG and/or RAFS fails to recover any funds, credits, discounts, etc., there is no net County cost for services performed.

5. ACCOUNTABLE FOR MONITORING AND EVALUATION:

Donald C. Petite, Director of Materials Management

6. APPROVALS:

Finance: Gary W. Wells, Director of Finance

Contracts and Grants Division: Cara O'Neill, Chief

County Counsel (approval as to form): Kelly M. Auerbach-Hassel, Deputy County Counsel

EXHIBIT I

Contract No. H207942

SALES AND USE TAX RECONCILIATION SERVICES AGREEMENT

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day  
of \_\_\_\_\_, 2005,

by and between COUNTY OF LOS ANGELES (hereafter  
"County"),  
and KPMG, LLP (hereafter "Contractor").

WHEREAS, reference is made to that certain document entitled  
"SALES AND USE TAX RECONCILIATION SERVICES AGREEMENT", dated  
December 3, 2002, and further identified as County Agreement No.  
H207942, (hereafter "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend  
Agreement to extend the term, revise two provisions and add a  
provision, and to make other hereafter described changes; and

WHEREAS, said Agreement provides that changes may be made in  
the form of a written amendment which is formally approved and  
executed by the parties.

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective on July 1, 2005.
2. Paragraph 1, Term, shall be amended to read as follows:  
"1. TERM: The term of this Agreement shall commence on

July 1, 2005, and shall continue in full force and effect to midnight July 31, 2006.

In any event, this Agreement may be canceled or terminated at any time by either party, with or without cause, upon the giving of at least thirty (30) calendar days prior written notice to the other.

Notwithstanding any other provision of this Paragraph, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time."

3. Paragraph 13, Contractor's Obligations as a "Business Associate" under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), shall be amended to read as follows:

"14. CONTRACTOR'S OBLIGATIONS AS A BUSINESS ASSOCIATE UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA"): Under this Agreement, Contractor (also known herein as "Business Associate") provides services ("Services") to County (also known herein as

"Covered Entity") in which Business Associate receives, has access to, or creates, Protected Health Information and/or Electronic Protected Health Information in order to provide those Services. Covered Entity is subject to the Administrative Simplification requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and regulations promulgated thereunder, including the Standards for Privacy of Individually Identifiable Health Information ("Privacy Regulations") and the Health Insurance Reform: Security Standards ("Security Regulations") at 45 Code of Federal Regulations Parts 160 and 164 (together, the "Privacy and Security Regulations").

Privacy and Security Regulations require Covered Entity to enter into a contract with Business Associate in order to mandate certain protections for the privacy and security of Protected Health Information, and those Privacy and Security Regulations prohibit the disclosure to or use of Protected Health Information by Business Associate if such a contract is not in place.

Therefore, the parties agree to the following:

A. DEFINITIONS:

(1) "Disclose" and "Disclosure" means, with respect to Protected Health Information, the release, transfer, provision of access to, or

divulging in any other manner Protected Health Information which is outside of Business Associate's internal operations or to other than its employees.

(2) "Electronic Media" has the same meaning as the term "electronic media" in 45 C.F.R. § 160.103. Further, Electronic Media means: (a) Electronic storage media including memory devices in computers (hard drives) and any removable/transportable digital memory medium, such as magnetic tape or disk, optical disk, or digital memory card; or (b) Transmission media used to exchange information already in electronic storage media. Transmission media includes, for example, the internet (wide-open), extranet (using internet technology to link a business with information accessible only to collaborating parties), leased lines, dial-up lines, private networks, and the physical movement of removable/transportable electronic storage media. Certain transmissions, including of paper, via facsimile ("FAX"), and of voice, via telephone, are not considered to be transmissions via electronic media, because the information being exchanged did not exist in



electronic form before the transmission. The term "electronic media" draws no distinction between internal and external data, at rest (that is, in storage), as well as, during transmission.

(3) "Electronic Protected Health Information" has the same meaning as the term "electronic protected health information" in 45 C.F.R. § 160.103. Further, Electronic Protected Health Information means protected health information that is: (a) transmitted by electronic media, and (b) maintained in electronic media.

(4) "Individual" means the person who is the subject of Protected Health Information and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

(5) "Protected Health Information" has the same meaning as the term "protected health information" in 45 C.F.R. § 164.501, limited to the information created or received by Business Associate from or on behalf of Covered Entity. Protected Health Information includes information that (a) relates to the past, present, or future, physical or mental health, or condition of an

Individual; the provision of health care to an Individual, or the past, present, or future, payment for the provision of health care to an Individual; (b) identifies the Individual (or for which there is a reasonable basis for believing that the information can be used to identify the Individual); and (c) is received by Business Associate from or on behalf of Covered Entity, or is created by Business Associate, or is made accessible to Business Associate by Covered Entity. "Protected Health Information" includes Electronic Health Information.

(6) "Required By Law" means a mandate contained in law that compels an entity to make a Use or Disclosure of Protected Health Information and that is enforceable in a court of law. Required by law includes, but is not limited to, court orders and court ordered warrants; subpoenas or summons issued by a court, a grand jury, a governmental or tribal inspector general, or any administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions of participation with respect to health care providers

participating in the program; and statutes or regulations that require the production of information, including statutes or regulations that require such information if payment is sought under a government program providing benefits.

(7) "Security Incident" means the attempted or successful unauthorized access, Use, Disclosure, modification, or destruction of information in, or interference with system operations of, an Information System which contains Electronic Protected Health Information. However, Security Incident does not include attempts to access an Information System when those attempts are not reasonably considered by Business Associate to constitute an actual threat to the Information System.

(8) "Services" has the same meaning as used in the body of this Agreement.

(9) "Use" or "Uses" means, with respect to Protected Health Information, the analysis, application, employment, examination, sharing, or utilization of such information within Business Associate's internal operations.

(10) Terms used, but not otherwise defined, in

this Paragraph shall have the same meaning as those terms in the HIPAA Regulations.

B. OBLIGATIONS OF BUSINESS ASSOCIATE:

(1) Permitted Uses and Disclosures of Protected Health Information: Business Associate:

a. Shall Use and Disclose Protected Health Information as necessary to perform the Services, and as provided in this Paragraph's Sections, B.(3), B.(4), B.(5), B.(6), B.(7), B.(8), Subparagraph, D.(3), and Subparagraph, E.(2) of this Agreement;

b. Shall Disclose Protected Health Information to Covered Entity upon request;

c. May, as necessary for the proper management and administration of its business or to carry out its legal responsibilities:

1) Use Protected Health Information;  
and

2) Disclose Protected Health Information if the Disclosure is Required By Law.

Business Associate shall not Use or Disclose Protected Health Information for any other purpose.

(2) Adequate Safeguards for Protected Health Information: Business Associate:

a. Shall implement and maintain appropriate safeguards to prevent the Use or Disclosure of Protected Health Information in any manner other than as permitted by this Paragraph. Business Associate agrees to limit the Use and Disclosure of Protected Health Information to the minimum necessary in accordance with the Privacy Regulation's minimum necessary standard.

b. Effective as of April 20, 2005, specifically as to Electronic Health Information, shall implement and maintain administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of Electronic Protected Health Information.

(3) Reporting Non-Permitted Use or Disclosure and Security Incidents: Business Associate shall report to Covered Entity each Use or Disclosure that is made by Business Associate, its officers, employees, agents, representatives, or

subcontractors, but is not specifically permitted by this Agreement, as well as, effective April 20, 2005, each Security Incident of which Business Associate becomes aware. The initial report shall be made by telephone call to Covered Entity's Departmental Privacy Officer at 1-(800) 711-5366 within forty-eight (48) hours from the time the Business Associate becomes aware of the non-permitted Use, Disclosure, or Security Incident, followed by a full written report no later than ten (10) business days from the date the Business Associate becomes aware of the non-permitted Use, Disclosure, or Security Incident to the Covered Entity's Chief Privacy Officer, at: Chief Privacy Officer; Kenneth Hahn Hall of Administration; 500 West Temple Street, Suite 525; Los Angeles, California 90012.

(4) Mitigation of Harmful Effect: Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of Protected Health Information by Business Associate in violation of the requirements of this Paragraph.

(5) Availability of Internal Practices, Books and Records to Government Agencies: Business Associate agrees to make its internal practices, books, and records, relating to the Use and Disclosure of Protected Health Information, available to the Secretary of the federal Department of Health and Human Services ("DHHS") for purposes of determining Covered Entity's compliance with the Privacy and Security Regulations. Business Associate shall immediately notify Covered Entity of any requests made by the Secretary and provide Covered Entity with copies of any documents produced in response to such request.

(6) Access to Protected Health Information: Business Associate shall, to the extent Covered Entity determines that any Protected Health Information constitutes a "designated record set" as defined by 45 C.F.R. § 164.501, make the Protected Health Information, specified by Covered Entity available to the Individual(s) identified by Covered Entity as being entitled to access and copy that Protected Health Information. Business Associate shall provide such access for inspection of that Protected Health Information within two (2)

business days after receipt of request from Covered Entity. Business Associate shall provide copies of that Protected Health Information within five (5) business days after receipt of request from Covered Entity.

(7) Amendment of Protected Health Information: Business Associate shall, to the extent Covered Entity determines that any Protected Health Information constitutes a "designated record set" as defined by 45 C.F.R. § 164.501, make any amendments to Protected Health Information that are requested by Covered Entity. Business Associate shall make such amendment within ten (10) business days after receipt of request from Covered Entity in order for Covered Entity to meet the requirements under 45 C.F.R. § 164.526.

(8) Accounting of Disclosures: Upon Covered Entity's request, Business Associate shall provide to Covered Entity an accounting of each Disclosure of Protected Health Information made by Business Associate or its officers, employees, agents, representatives, or subcontractors. However, Business Associate is not required to provide an accounting of Disclosures that are necessary to



perform the Services because such Disclosures are for either payment or health care operations purposes, or both.

Any accounting provided by Business Associate under this Subparagraph B.(8) shall include: (a) the date of the Disclosure; (b) the name, and address if known, of the entity or person who received the Protected Health Information; (c) a brief description of the Protected Health Information disclosed; and (d) a brief statement of the purpose of the Disclosure. For each Disclosure that could require an accounting under this Subparagraph B.(8), Business Associate shall document the information specified in (a) through (d), above, and shall securely maintain the information for six (6) years from the date of the Disclosure. Business Associate shall provide to Covered Entity, within ten (10) business days after receipt of request from Covered Entity, information collected in accordance with this Subparagraph B.(8) to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528.

C. OBLIGATION OF COVERED ENTITY: Covered Entity shall notify Business Associate of any current or future restrictions or limitations on the use of Protected Health Information that would affect Business Associate's performance of Services, and Business Associate shall thereafter restrict or limit its own uses and disclosures accordingly.

D. TERM AND TERMINATION:

(1) Term: The term of this Paragraph, shall be the same as the term of this Agreement.

Business Associate's obligations under this Paragraph's subparagraph(s) B.(1) (as modified by Subparagraph D.(2)), B.(3), B.(4), B.(5), B.(6), B.(7), B.(8), Subparagraph D.(3) and Subparagraph E.(2) shall all survive the termination or expiration of this Agreement.

(2) Termination for Cause: In addition to and notwithstanding the termination provisions set forth in this Agreement, upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:

a. Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Agreement if

Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;

b. Immediately terminate this Agreement if Business Associate has breached a material term of this Agreement and cure is not possible; or

c. If neither termination nor cure are feasible, Covered Entity shall report the violation to the Secretary of the federal DHHS.

(3) Disposition of Protected Health

Information Upon Termination or Expiration:

a. Except as provided in Sub-subparagraph b. of this section, upon termination for any reason or expiration of this Agreement, Business Associate shall return or destroy all Protected Health Information received from Covered Entity or created, or received, by Business Associate on behalf of Covered Entity. This provision shall apply to Protected Health Information that is in the possession of agents, representatives, or subcontractors, of Business Associate.

Business Associate shall retain no copies of the Protected Health Information.

b. In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make it infeasible. If return or destruction is infeasible, Business Associate shall extend the protections of this Agreement, to such Protected Health Information and limit further Uses and Disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such Protected Health Information.

E. MISCELLANEOUS:

(1) No Third Party Beneficiaries: Nothing in this Paragraph shall confer upon any person other than the parties and their respective successors or assignees, any rights, remedies, obligations, or liabilities whatsoever.

(2) Use of Agents, Representatives, and/or Subcontractors: Business Associate shall require

each of its agents, representatives, and/or subcontractors, that receive Protected Health Information from Business Associate, or create Protected Health Information for Business Associate, on behalf of Covered Entity, to execute a written agreement obligating the agent, representative, and/or subcontractor to comply with all the terms of this Paragraph.

(3) Relationship to Services Agreement Provisions: In the event that a provision of this Paragraph is contrary to another provision of this Agreement, the provision of this Paragraph shall control. Otherwise, this Paragraph shall be construed under, and in accordance with, the terms of this Agreement.

(4) Regulatory References: A reference in this Paragraph to a section in the Privacy and Security Regulations means the section as currently in effect, or may hereafter be amended.

(5) Interpretation: Any ambiguity in this Paragraph shall be resolved in favor of a meaning that permits Covered Entity to comply with the Privacy Regulations.

(6) Amendment: The parties agree to take

such action as is necessary to amend this Paragraph from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy and Security Regulations.

4. Paragraph 35, Safely Surrendered Baby Law, shall be added to the Additional Provisions of the Agreement as follows:

"35. SAFELY SURRENDERED BABY LAW: Contractor shall notify and provide to each of its officers, employees, and agents, and shall require that each of Contractor's subcontractors providing services under this Agreement also notify and provide to each of its officers, employees, and agents, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. County's fact sheet is available on the Internet at [www.babysafela.org](http://www.babysafela.org). for printing and review purposes. Further, Contractor understands that it is County's policy to encourage Contractor and all of its subcontractors, providing services under this Agreement, if any, to voluntarily post County's "Safely Surrendered Baby Law" poster in a prominent position at their place of business. County's Department of Children and Family Services will supply Contractor with the poster to be used."

5. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its

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Director of Health Services, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
Thomas L. Garthwaite, M.D.,  
Director and Chief Medical  
Officer

KPMG, LLP  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Title \_\_\_\_\_  
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM  
BY THE OFFICE OF THE COUNTY COUNSEL  
RAYMOND G. FORTNER  
County Counsel

By \_\_\_\_\_  
Deputy

APPROVED AS TO CONTRACT  
ADMINISTRATION:

Department of Health Services

By \_\_\_\_\_  
Cara O'Neill, Chief, Contracts  
and Grants Division

gti:04/21/05  
AMCDKPMG.GI



EXHIBIT II

Contract No. H207943

ACCOUNTS PAYABLE AUDIT AND RECOVERY SERVICES AGREEMENT

AMENDMENT NO. 4

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day  
of \_\_\_\_\_, 2005,

by and between                      COUNTY OF LOS ANGELES (hereafter  
   "County"),  
  
and                                      RECOVERED ASSETS FINANCIAL  
   SERVICES, LLC (hereafter  
   "Contractor").

WHEREAS, reference is made to that certain document entitled  
"ACCOUNTS PAYABLE AUDIT AND RECOVERY SERVICES AGREEMENT", dated  
December 3, 2002, and further identified as County Agreement No.  
H207943, and any amendments thereto, (all hereafter "Agreement");  
and

WHEREAS, it is the intent of the parties hereto to amend  
Agreement to extend the term, revise the payment provision, and  
to make other hereafter described changes; and

WHEREAS, said Agreement provides that changes may be made in  
the form of a written amendment which is formally approved and  
executed by the parties.

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective on July 1, 2005.
2. Agreement No. 1 of Agreement as executed by the parties

on July 1, 2003, is hereby re-designated as Amendment No. 2, effective July 1, 2003.

3. Paragraph 1, Term, shall be amended to read as follows:

"1. TERM: The term of this Agreement shall commence on July 1, 2005, and shall continue in full force and effect to midnight July 31, 2006.

In any event, this Agreement may be canceled or terminated at any time by either party, with or without cause, upon the giving of at least thirty (30) calendar days prior written notice to the other.

Notwithstanding any other provision of this Paragraph, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time."

3. Exhibit A, Paragraph 5, PAYMENT, Subparagraph 1, shall be amended to read as follows:

"5. PAYMENT: As noted in the body of this Agreement (i.e., Paragraph 6, Billing and Payment, of the Agreement

body), the fee for Contractor's Accounts Payable Audit and Recovery Services work specified hereinabove for Contractor's services effective July 1, 2003 through December 31, 2003, shall be twenty-six percent (26%) of the total amount of any duplicate payments, overcharges, missed discounts, and/or unclaimed credits paid, or not claimed, by County and recovered by Contractor from County's medical supply and/or services providers, as a credit, discount, or refund.

Thereafter, or for Contractor's services beginning January 1, 2004 through July 31, 2006, the fee for Contractor's Accounts Payable Audit and Recovery Services work specified hereinabove, shall be twenty-two percent (22%) of the total amount of any duplicate payments, overcharges, missed discounts, and/or unclaimed credits paid, or not claimed, by County and recovered by Contractor from County's medical supply and/or services providers, as a credit, discount, or refund."

4. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its

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Director of Health Services, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
Thomas L. Garthwaite, M.D.,  
Director and Chief Medical  
Officer

RECOVERED ASSETS FINANCIAL  
SERVICES, LLC.  
\_\_\_\_\_  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Title \_\_\_\_\_  
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM  
BY THE OFFICE OF THE COUNTY COUNSEL  
RAYMOND G. FORTNER  
County Counsel

By \_\_\_\_\_  
Deputy

APPROVED AS TO CONTRACT  
ADMINISTRATION:

Department of Health Services

By \_\_\_\_\_  
Cara O'Neill, Chief, Contracts  
and Grants Division

gti:04/21/05  
AMCDRAFS.GI